

Ms. Patricia A. McLeod, Administrator
Oakhaven, Inc.
Post Office Box 516
Darlington, South Carolina 29532

Re: AC# 3-OKH-J4 - Oakhaven, Inc.

Dear Ms. McLeod:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1993 through September 30, 1994. That report was used to set the rate covering the contract periods beginning October 1, 1995.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA
State Auditor

EAVjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

OAKHAVEN, INC.
DARLINGTON, SOUTH CAROLINA

CONTRACT PERIODS
BEGINNING OCTOBER 1, 1995
AC# 3-OKH-J4

REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 10, 1997

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Oakhaven, Inc., for the contract periods beginning October 1, 1995 and for the twelve month cost report period ended September 30, 1994, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Oakhaven, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Oakhaven, Inc., dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
June 10, 1997

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA
State Auditor

OAKHAVEN, INC.
Computation of Rate Change
For the Contract Periods
Beginning October 1, 1995
AC# 3-OKH-J4

	<u>10/01/95-</u> <u>03/31/96</u>	<u>04/01/96-</u> <u>09/30/96</u>
Adjusted reimbursement rate	\$72.43	\$72.43
Interim reimbursement rate (1)	<u>72.34</u>	<u>72.34</u>
Increase in reimbursement rate	\$ <u>.09</u>	\$ <u>.09</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 17, 1996

OAKHAVEN, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1995 Through March 31, 1996
AC# 3-OKH-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.84	\$31.79	\$40.58	\$31.79
Dietary	<u>.15</u>	<u>9.06</u>	<u>9.21</u>	<u>9.06</u>
Subtotal	<u>\$2.99</u>	40.85	49.79	40.85
Laundry/Housekeeping/Maint.	\$.54	6.67	7.21	6.67
Administration & Med. Rec.	<u>.67</u>	<u>7.70</u>	<u>8.37</u>	<u>7.70</u>
Subtotal	<u>\$1.21</u>	55.22	<u>\$65.37</u>	55.22
<u>Costs Not Subject to Standards:</u>				
Utilities		1.69		1.69
Special Services		-		-
Medical Supplies & Oxy.		3.03		3.03
Taxes and Insurance		1.11		1.11
Legal Fees		<u>.10</u>		<u>.10</u>
TOTAL		<u>\$61.15</u>		61.15
Inflation Factor (6.30%)				3.85
Cost of Capital				5.93
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.21
Cost Incentive - For Gen. Serv. & Dietary				2.99
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(2.70)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$72.43</u>

OAKHAVEN, INC.

Computation of Adjusted Reimbursement Rate
For the Contract Period April 1, 1996 Through September 30, 1996
AC# 3-OKH-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.84	\$31.79	\$40.58	\$31.79
Dietary	<u>.15</u>	<u>9.06</u>	<u>9.21</u>	<u>9.06</u>
Subtotal	\$ <u>2.99</u>	40.85	49.79	40.85
Laundry/Housekeeping/Maint.	\$.54	6.67	7.21	6.67
Administration & Med. Rec.	<u>.67</u>	<u>7.70</u>	<u>8.37</u>	<u>7.70</u>
Subtotal	\$ <u>1.21</u>	55.22	\$ <u>65.37</u>	55.22
<u>Costs Not Subject to Standards:</u>				
Utilities		1.69		1.69
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Legal Fees		<u>.10</u>		<u>.10</u>
TOTAL		\$ <u>61.15</u>		61.15
Inflation Factor (6.30%)				3.85
Cost of Capital				5.93
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.21
Cost Incentive - For Gen. Serv. & Dietary				2.99
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(2.70)</u>
 ADJUSTED REIMBURSEMENT RATE				 \$ <u>72.43</u>

OAKHAVEN, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
AC# 3-OKH-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,004,128	\$ 13,322 (6)	\$ 1,498 (2) 375 (6) 7,016 (8)	\$1,008,561
Dietary	348,719	3,740 (5) 142 (6) 16,758 (11) 254,806 (15)	336,722 (10)	287,443
Laundry	64,481	18,198 (5)	7,933 (9)	74,746
Housekeeping	103,632	1,290 (6) 4 (12) 70 (15)	-	104,996
Maintenance	31,167	116 (6) 1,258 (15)	765 (12)	31,776
Administration & Medical Records	224,290	17,981 (12) 6,269 (13) 10,412 (15)	878 (6) 13,670 (7)	244,404
Utilities	50,969	5 (12) 2,795 (15)	-	53,769
Special Services	-	-	-	-
Medical Supplies & Oxygen	120,151	-	21,938 (5) 2,222 (7)	95,991
Taxes & Insurance	47,160	20 (12) 993 (15)	5,989 (3) 6,988 (4)	35,196

OAKHAVEN, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1994
AC# 3-OKH-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	3,332	360 (15)	589 (12)	3,103
Cost of Capital	183,143	1,232 (2) 19 (12) 49 (14) <u>3,621 (15)</u>	-	188,064
Subtotal	2,181,172	353,460	406,583	2,128,049
Ancillary	16,197	-	-	16,197
Non-Allowable	(133,240)	5,989 (3) 7,933 (9)	13,617 (6) 16,675 (12) 6,269 (13) <u>49 (14)</u>	(155,928)
Total Operating Expenses	<u>\$2,064,129</u>	<u>\$367,382</u>	<u>\$443,193</u>	<u>\$1,988,318</u>
TOTAL PATIENT DAYS	<u>31,724</u>	<u>-</u>	<u>-</u>	<u>31,724</u>
TOTAL BEDS	<u>88</u>			

OAKHAVEN, INC.
Adjustment Report
Cost Report Period Ended September 30, 1994
AC# 3-OKH-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Building	\$ 21,662	
	Other Equity		\$ 21,161
	Fixed Equipment		501
	To adjust fixed assets to allowable HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
2	Movable Equipment	5,638	
	Depreciation	1,232	
	Nursing		1,498
	Accumulated Depreciation		4,609
	Other Equity		763
	To capitalize computer equipment HIM-15-1, Sections 104.1 and 110		
3	Nonallowable	5,989	
	Property Tax Expense		5,989
	To disallow property tax expense not related to patient care HIM-15-1, Section 2102.3		
4	Due to/from Wilson Group	2,948	
	Due to/from Wilson Medical Supply	1,616	
	Due to/from Darlington Convalescent Center	808	
	Due to/from Medford Place	1,616	
	Taxes and Insurance		6,988
	To reclassify automobile insurance expense State Plan, Attachment 4.19D		
5	Dietary	3,740	
	Laundry	18,198	
	Medical Supplies		21,938
	To reclassify underpads to the proper cost center State Plan, Attachment 4.19D		
6	Nursing	13,322	
	Dietary	142	
	Housekeeping	1,290	
	Maintenance	116	
	Administration		878
	Restorative		375
	Nonallowable		13,617
	To adjust health insurance to allowable HIM-15-1, Section 2162.9		

OAKHAVEN, INC.
Adjustment Report
Cost Report Period Ended September 30, 1994
AC# 3-OKH-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Due to/from Wilson Group	15,892	
	Administration		13,670
	Medical Supplies		2,222
	To reclassify salaries to be allocated from the home office HIM-15-1, Section 2150.3		
8	Due to/from Medford Place	7,016	
	Restorative		7,016
	To disallow salaries not related to patient care HIM-15-1, Section 2102.3		
9	Nonallowable	7,933	
	Laundry		7,933
	To adjust laundry cost to allowable HIM-15-1, Section 2304		
10	Due to/from Medford Place	336,722	
	Dietary		336,722
	To remove reported shared dietary costs HIM-15-1, Section 2304		
11	Dietary	16,758	
	Due to Medford Place		16,758
	To record direct dietary allocation HIM-15-1, Section 2307		
12	Housekeeping	4	
	Administration	17,981	
	Utilities	5	
	Taxes and Insurance	20	
	Cost of Capital	19	
	Nonallowable		16,675
	Maintenance		765
	Legal		589
	To adjust home office costs to allowable HIM-15-1, Sections 2304 and 2150		

OAKHAVEN, INC.
Adjustment Report
Cost Report Period Ended September 30, 1994
AC# 3-OKH-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	Administration Nonallowable	6,269	6,269
	To adjust accounting costs to allowable HIM-15-1, Section 2304		
14	Cost of Capital Nonallowable	49	49
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
15	Cost of Capital	3,621	
	Taxes and Insurance	993	
	Administration	10,412	
	Legal	360	
	Maintenance	1,258	
	Utilities	2,795	
	Housekeeping	70	
	Dietary	254,806	
	Due to/from Medford Place		274,315
	To record shared dietary services HIM-15-1, Section 2304		
	TOTAL ADJUSTMENTS	<u>\$761,300</u>	<u>\$761,300</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

OAKHAVEN, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1994
AC# 3-OKH-J4

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>88</u>
Deemed Asset Value	2,718,232
Improvements Since 1981	321,339
Accumulated Depreciation at 9/30/94	<u>(1,029,901)</u>
Deemed Depreciated Value	2,009,670
Market Rate of Return	<u>0.072</u>
Total Annual Return	144,696
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	144,696
Depreciation Expense	47,251
Amortization Expense	-
Capital Related Income Offsets	(3,883)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	188,064
Total Patient Days (Minimum 97% Occupancy)	<u>31,724</u>
Cost of Capital Per Diem	\$ <u><u>5.93</u></u>

OAKHAVEN, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1994
AC# 3-OKH-J4

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$3.97
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.96</u>
Reimbursable Cost of Capital Per Diem	\$5.93
Cost of Capital Per Diem	<u>5.93</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>